

January 16, 2006

TO: SELECT BOARD
FINANCE COMMITTEE

FROM: Barry L. Del Castilho, Town Manager



SUBJECT: FISCAL YEAR 2007 PROPOSED BUDGET

This budget is the second to be prepared and the third to be implemented in an atmosphere of reduced financial constraints. As a result, it addresses some of the Town's needs which had to be deferred during the years of financial difficulty.

Unfortunately, those words were written by me 23 years ago, in transmitting my first Town of Amherst budget, the Fiscal Year 1984 Proposed Budget of just under \$6,000,000. Perhaps those words can be written by the new town manager a year or two from today. The Fiscal Year 2007 Proposed Budget of \$18,346,555 does not fit that description. It recommends resources to address only the most critical of the Town's needs, and even they, I will assert, merely provide "level services" for the citizens of Amherst.

Section 5.1 of the Amherst Town Government Act requires the town manager to submit a budget "showing specifically the amount recommended to be provided for each fund and department." Especially in my final budget proposal, it is tempting to show the amount that I really recommend to be provided for each fund and department. The comments under "Unfunded Recommendations" on many of the budget pages allow me to articulate other needs which cannot realistically be recommend for funding in FY 07 due to financial constraints. On the other hand, at this stage of the budget process, I will not fail to submit a budget showing amounts recommended to be provided for each fund and department that will allow departments to continue to provide the current level of services to Amherst citizens through the continued extraordinary efforts of dedicated Town employees, until needs for additional resources can be met.

The increase in the proposed FY 07 General Fund budget is 8.5% over the final FY 06 budget. That is obviously well in excess of the 2.7% guideline established by the Finance Committee and endorsed by the Select Board. But that guideline will be reconsidered at the Joint Financial Planning Group meeting of January 30 and subsequently by both the Finance Committee and Select Board. That fledgling collaborative group and the elected and appointed bodies they represent will have to consider newly proposed local aid increases well in excess (perhaps by a million dollars or more) of last fall's projections (which were based on information available at that time) and budget recommendations presented in this book and by the Superintendent of Schools and the Library Director. How much of my recommendations can be funded by Town Meeting next May or June must be determined between now and then.

The 8.5% increase is an increase of \$1,430,421. A 2.7% increase would be approximately \$450,000. Health insurance must increase by just over \$500,000. The cost of continuing existing positions, with employees' step increases, net of employee turnover, is almost \$200,000. The cost of a 3½% pay adjustment for the third year of union contracts and for non-union personnel is \$400,000. And then there are energy cost increases; additional funds needed for veterans benefits, fee subsidies and human service agencies; and two more elections in FY 07 than in FY 06. No additional "belt tightening," after two or three years of "belt tightening," will cover that magnitude of increases. A 2.7% increase, *or even twice that*, will require real cuts: cuts in existing services, cuts in existing, occupied positions, i.e. layoffs.

The Planning/Conservation/Inspections functional area is recommended to increase by 11.0%, but that increase includes additional fractions of positions that are funded by revenues other than taxation. The Public Works functional area is recommended to increase by 7.7%, primarily due to energy cost increases. The Community Services functional area is recommended to increase by 7.2% (not counting the addition of the golf course budget to that functional area), the largest increase being for mandated veterans benefits. The General Government functional area is recommended to increase by approximately 5.5%, not counting the increase in Human Resources that includes the health insurance increase for the General Fund. The Public Safety functional area is recommended to increase by 5.7% despite the recommended addition of eight positions.

The Amherst Fire Department's critically high workload on many occasions and, therefore, potentially serious threats to public health and safety are being addressed through a Federal grant and fee increases. The Amherst Police Department's critically high workload on many occasions and, therefore, potentially serious threats to public safety can

only be addressed through the budget. I recommend five additional police officer positions and two additional emergency dispatcher positions in the *level services* budget. The eighth recommended position is a custodian for the police facility.

The Amherst Police Department's ability to protect and serve the citizens of the Town is at a critically low level. Serious, violent crime has increased. Officers are leaving for higher pay and lower workloads. The University is increasing its police officer staffing that is already considerably higher than the Town's. State Police salaries that are already considerably higher than the Town's are increasing even more. The Amherst Police Department's historic ability to attract and retain the best police officers and to provide high quality, professional service through those officers' extraordinary efforts is in serious jeopardy. Problems with the retention of emergency dispatchers have continued despite numerous efforts and some additional resources, and the resulting workload for emergency dispatchers is a potentially serious threat to their important contribution to public safety for Amherst citizens.

The considerable savings that has resulted from police officer turnover makes it possible to recommend these additions in a recommended Police Department budget that would increase by only 5.3%.

It will be up to the Chief and command staff of the Amherst Police Department to describe this situation in detail, to describe program cuts and other measures that have already been taken in an attempt to address it, and to respond to theories about why this isn't a real problem or how it can be solved without more resources. And, obviously, it will be up to elected Town officials to evaluate this issue and decide what to do about it in the context of other budget priorities and/or cuts. But this growing problem can no longer be ignored.

The additional amount required for the police facility custodian position, an unfunded need last year, can be provided with part of the savings realized from funding one-third of a joint Schools/Town facilities director position in lieu of the Town's full time maintenance director position. No other additional positions are recommended. A few additional hours for positions in Inspections Services, Health and the Senior Center are funded in ways that do not require increased tax support.

The recommended Water and Sewer Fund budgets increase by double digits, heavily impacted by increased costs for health insurance, energy and chemicals. A water rate increase is recommended, as previously projected. The recommended Solid Waste Fund budget can be supported by fee revenues, but again with no reimbursement for General Fund

Services or payment in lieu of taxes from that enterprise fund. The recommended Transportation Fund budget, including a substantial portion of the PVTa assessment, continues to be covered by parking-related revenues. The Golf Course Fund is recommended to be discontinued as an enterprise fund and included instead in the Community Services functional area of the General Fund budget.

The Capital Program included in this book is that approved by the Joint Capital Planning Committee last year, but that program will be reviewed and updated before final recommendations are made for FY 07.

It continues to be my hope that substantially increased local aid will allow you to recommend that Town Meeting approve FY 07 “level services” budgets for the Town, schools and libraries that will not require reduced services to citizens and students, nor increased pressures on an already overburdened staff, while still pursuing a multi-year plan that progresses from reduced reliance on reserves to a rebuilding of those reserves. And if a new partnership is forged between the Commonwealth of Massachusetts and its cities and towns, a new town manager may be able to recommend that unmet needs be met in FY 08, as I was able to recommend for FY 84. That combination of outcomes may seem extraordinarily optimistic, but we should aim high. This extraordinary town has accomplished what seemed like miracles in the past, and we can do so again with even greater collaboration among elected and appointed officials, including our legislators, with the expertise and creativity of a dedicated professional staff, and with the input and support of the citizens who we serve so well.